

Message Text

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ORIGIN EB-07

INFO OCT-01 EA-09 ISO-00 AID-05 CIAE-00 COME-00 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 TAR-01 JUSE-00 FTC-01

L-03 /070 R

DRAFTED BY EB/IFD/OIA:TRBRODERICK

APPROVED BY EB/IFD/OIA:RJSMITH

EA/EP:RIMUS (INFO)

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P 061848Z NOV 75

FM SECSTATE WASHDC

TO AMEMBASSY VIENTIANE PRIORITY

UNCLAS STATE 263169

E.O. 11652: N/A

TAGS: EFIN, EIND, EINV

SUBJECT: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REFS: (A) STATE 261921; (B) STATE 165596;

(C) VIENTIANE 6171

1. REF B IS REPEATED FOR YOUR INFORMATION.

2. QUOTE: SUMMARY: POSTS ARE REQUESTED TO UPDATE FOREIGN INVESTMENT STATISTICS AND NARRATIVE STATEMENTS ON INVESTMENT CLIMATE REPORTED LAST YEAR. AGAIN THIS YEAR, THE STATEMENTS ON INVESTMENT CLIMATE WILL COMPRISE A COMPENDIUM WHICH WILL BE PUBLISHED AND DISTRIBUTED TO GOVERNMENT AGENCIES AND TO BUSINESSMEN AND ORGANIZATIONS, USED BY DEPARTMENT OFFICIALS AS WITNESS MATERIAL FOR CONGRESSIONAL HEARINGS (INCLUDING THOSE HELD BY THE SENATE SUBCOMMITTEES ON MULTINATIONAL CORPORATIONS AND ON FOREIGN

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COMMERCE AND TOURISM) AND INCLUDED IN THE DEPARTMENT'S

INFORMATION RETRIEVAL SYSTEM. END SUMMARY.

3. THE INVESTMENT CLIMATE AND STATISTICS DATA HAVE BEEN A VALUABLE AID TO GOVERNMENTAL POLICYMAKING. FOR EXAMPLE, THE MARKED INCREASE IN FOREIGN INVESTMENT COMING INTO THE U.S. HAS GENERATED INTEREST IN THE POLICIES OF FOREIGN

GOVERNMENTS TOWARD INWARD INVESTMENT. THESE DATA HAVE ALSO PROVED USEFUL IN THE PREPARATION OF U.S. MATERIALS AND POSITIONS FOR OECD MEETINGS, INCLUDING DAC.

4. POSTS ARE REQUESTED TO TELEGRAPH REPLIES BY AUG. 8. THE TEXTUAL STATEMENT ON INVESTMENT CLIMATE SHOULD INCLUDE ALL ARTICLES, PREPOSITIONS, ETC.

5. INVESTMENT CLIMATE. POSTS ARE ASKED TO FURNISH A CANDID AND DETAILED NARRATIVE STATEMENT ON THE CLIMATE FOR DIRECT FOREIGN INVESTMENT (DFI) IN THEIR COUNTRIES. ASPECTS OF THE CLIMATE WHICH ARE CONSIDERED SIGNIFICANT WILL VARY FROM COUNTRY TO COUNTRY, BUT MIGHT INCLUDE SOME OF THE FOLLOWING:

(1) ATTITUDE OF THE GOVERNMENT AND OTHER DOMESTIC GROUPS TOWARD DFI, AND MORE GENERALLY TOWARD THE ROLE OF THE PRIVATE SECTOR IN THE ECONOMY;

(2) PROPOSED OR EXISTING LAWS AND PRACTICES WHICH RESTRICT, SCREEN, OR OFFER INCENTIVES TO DFI, INCLUDING THOSE DIRECTED AT SPECIFIC REGIONS, INDUSTRIES, OR TECHNOLOGIES;

(3) TARIFF, NON-TARIFF, TAX, AND SUBSIDY POLICIES AND PRACTICES WHICH AFFECT (A) THE FOREIGN FIRM'S CHOICE BETWEEN EXPORTING TO THE LOCAL MARKET OR INVESTING IN IT, (B) SOURCING OF INPUTS AND EQUIPMENT, AND (C) THE QUALITY AND NATURE OF ITS OUTPUT;

(4) FOR DEVELOPING COUNTRIES, DEVELOPMENT POLICIES WHICH AFFECT THE DECISION TO INVEST (E.G., IMPORT-SUBSTITUTING POLICIES) , THE CHOICE OF CAPITAL-OR LABOR-INTENSIVE UNCLASSIFIED

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TECHNIQUES (E.G., SUBSTANTIAL FRINGE BENEFIT PROVISIONS, HIGH WAGE POLICIES IN THE MODERN SECTORS, FISCAL INCENTIVES TO USE LABOR), OR THE AMOUNT OF BENEFITS ACCRUING TO THE HOST COUNTRY (E.G., TAXES PAID, EMPLOYMENT GOALS);

(5) NATURAL RESOURCE MANAGEMENT AND INVESTMENT POLICIES;

(6) GOVERNMENTAL ADMINISTRATIVE PRACTICES;

(7) OWNERSHIP POLICIES, INCLUDING JOINT VENTURE REQUIREMENTS;

(8) AGGREGATE ECONOMIC POLICIES, INCLUDING DEMAND, INFLATION, CREDIT, EXPORT CONTROL, AND PRICE AND WAGE CONTROL POLICIES;

(9) AGGREGATE ECONOMIC PERFORMANCE;

(10) INDUSTRIAL POLICIES FAVORING THE DEVELOPMENT OF CERTAIN INDUSTRIES;

(11) RULES ON LOCAL PROCUREMENT OF RAW MATERIALS AND INTERMEDIATE INPUTS;

(12) RULES ON LOCAL EMPLOYMENT AND SPECIAL FEATURES OF LABOR-MANAGEMENT RELATIONS;

(13) GOVERNMENT PROCUREMENT POLICIES;

(14) RULES ON EXPORT GOALS FOR FOREIGN INVESTORS;

(15) FIXING PRICES, TERMS OR CONDITIONS TO BE OBSERVED IN DEALING WITH OTHER ENTERPRISES IN THE PURCHASE, SALE OR LEASE OF PRODUCTS;

(16) APPLICATION OF ANTI-TRUST LAWS, HOST COUNTRY OR U.S.;

(17) FOR DEVELOPING COUNTRIES, THE AVAILABILITY AND USAGE OF OPIC'S POLITICAL RISK INSURANCE;

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(18) EXISTENCE OF FCN, AER AND DOUBLE-TAXATION TREATIES WITH THE U.S.

(19) PROBLEMS CREATED BY EXTRATERRITORIAL APPLICATION OF HOST COUNTRY OR U.S. LAWS:

(20) INCIDENCE OF EXPROPRIATIONS OR INCONVERTIBILITY RESTRICTIONS; AND

(21) APPLICATION OF PATENT, ROYALTY, TECHNOLOGY AND OTHER LAWS AFFECTING TECHNOLOGY TRANSFER.

ALL POSTS SHOULD DEVOTE ONE OR TWO SENTENCES TO INVESTMENT STATISTICS, AND DESCRIPTION OF THE CURRENT PATTERN OF FOREIGN INVESTMENT INFLOWS. EAST EUROPEAN POSTS (AND

USLO PEKING) MAY WISH TO DISCUSS INVESTMENT IN THE BROAD FRAMEWORK OF COOPERATIVE VENTURES, INCLUDING PRODUCTION SHARING ARRANGEMENTS, ESPECIALLY WHERE MANAGEMENT SERVICES AND TECHNOLOGY ARE PROVIDED ON A CONTINUING BASIS BY THE AMERICAN PARTNER. POSTS MAY ALSO DRAW ON THE MULTI-NATIONAL CORPORATION REPORTING GUIDE (STATE A-8843 (OCT. 25, 1973) FOR OTHER POINTS WHICH, AT THE POST'S DISCRETION, MIGHT BE COVERED IN THE NARRATIVE.

6. THE VALUE OF THE NARRATIVE ON INVESTMENT CLIMATE LIES IN THEIR CANDID DESCRIPTION AND ANALYSIS OF ACTUAL INVESTMENT CONDITIONS. IN PREPARING THE NARRATIVE, IT IS HELPFUL TO KEEP IN MIND THAT THEY ARE DESIGNED FOR USE BY GOVERNMENT POLICYMAKERS AS WELL AS BY BUSINESSMEN. THEREFORE, POSTS SHOULD PLACE A PREMIUM ON ANALYSIS WHICH SUPPLEMENTS DESCRIPTION. THE NARRATIVES SHOULD NOT INCLUDE INFORMATION ON WHERE TO GO AND WHOM TO SEE. THIS IS AVAILABLE FROM ALTERNATIVE SOURCES.

7. NARRATIVE STATEMENTS SHOULD NOT EXCEED ONE PAGE, I.E. 48 LINES WITH 60-65 CHARACTERS PER LINE, INCLUDING TITLES. POSTS MAY RELY ON LAST YEAR'S STATEMENT TO THE EXTENT THEY DESIRE. IF LAST YEAR'S STATEMENT DOES NOT NEED ANY CHANGE, SIMPLY SAY SO IN THE REPLY, WITHOUT TRANSMITTING THE TEXT.

8. INVESTMENT STATISTICS: POSTS ARE ASKED TO DEVELOP
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ESTIMATES FOR THE FOLLOWING DATA:

A. U.S. DIRECT INVESTMENT (BOOK VALUE) AT THE END OF 1974,
BROKEN DOWN BY SECTORS:

- TOTAL, ALL INDUSTRIES
- MINING AND SMELTING
- PETROLEUM
- MANUFACTURING
- OTHER INDUSTRIES

B. DIRECT INVESTMENT BY ALL COUNTRIES (BOOK VALUE) NOT
BROKEN DOWN BY SECTOR, AT THE END OF 1974, FOR

- TOTAL, INCLUDING U.S.
- OTHER COUNTRIES (TOP THREE)

C. DIRECT INVESTMENT IN THE U.S. BY FOREIGNERS (BOOK
VALUE, NOT BROKEN DOWN BY SECTOR) AT THE END OF 1974.

THESE DATA ARE CONSISTENT WITH THOSE REQUESTED LAST YEAR
(REF A). PLEASE DETAIL DATA SOURCES. POSTS IN COUNTRIES

FOR WHICH DATA ON A AND C HAVE BEEN PUBLISHED IN THE SUR-
VEY OF CURRENT BUSINESS NEED NOT COMPLETE THESE ITEMS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INSTRUCTIONS, INVESTMENT CLIMATE, INTELLIGENCE ASSESSMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 06 NOV 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE263169
Document Source: CORE
Document Unique ID: 00
Drafter: TRBRODERICK
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750386-0462
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751171/aaaacimt.tel
Line Count: 226
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 STATE 261921, 75 STATE 165596
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 18 NOV 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <18 NOV 2003 by chicheje>; APPROVED <11 FEB 2004 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FOREIGN INVESTMENT CLIMATE AND STATISTICS
TAGS: EFIN, EIND, EINV, LA
To: VIENTIANE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006